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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday October 5, 1976 CI NIDC 76-234C

State Dept. review completed

NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Tuesday October 5, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] The lull in Christian and Syrian operations in the mountains east of Beirut continues as efforts go forward to work out some kind of agreement.

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25X1 [] The Palestinians appear to be digging in at Alayh after having blunted the Christian offensive. They are unlikely to agree to withdraw without receiving substantial concessions--which neither the Syrians nor the Christians are likely to give.

25X1 [] The Syrians may have had a number of reasons for keeping clear of the fighting at Alayh. They have consistently tried to avoid taking heavy casualties that could stir up unrest in Syria. They may have calculated, moreover, that a pause at this juncture would take the steam out of Egyptian efforts to convene an Arab summit that might condemn Syria's intervention. Damascus may also have wanted to head off possible Soviet or French diplomatic pressure.

25X1 [] The Syrian halt conforms to the pattern of earlier Syrian activity in Lebanon. A military push has usually been followed by a pause and a flurry of negotiating activity--much of it staged for propaganda effect--enabling Damascus to contrast its own eagerness for a settlement with the obduracy of its opponents. The ploy has been successful in keeping intervention efforts by the Arab League--which would almost certainly have favored the Palestinians--off balance.

25X1 [] Arab League mediator Hasan Sabri al-Khuli has announced that talks concerning the Palestinian refugee camps are under way between the Palestinians and both the Syrians and the Christians. The Christians seem to be demanding that the Palestinians return to their camps, adhere to previous accords regulating their activity, and agree to hand over their heavy weapons--a demand that all Palestinian leaders, even those of the more moderate faction, have rejected.

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[] The Syrians may not support the Christian demands in all respects, but they are unlikely to agree to a settlement that allows the Palestinians to retain any significant autonomy except under their supervision.

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[] There are mounting indications that a key Syrian goal has become the ouster of Yasir Arafat from the Palestinian leadership. Syrian propaganda has recently begun arguing that Arafat must go; in a front-page column yesterday, a leading Baathist official blamed Arafat for a string of offenses that have allegedly undermined the Palestinian cause and "fractured" Syrian-Palestinian cohesion.

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[] Leftist leader Kamal Jumblatt, who met with the French foreign minister in Paris over the weekend in an effort to talk the French into hosting a roundtable conference, made it clear that the meeting he envisaged would be restricted to Lebanese only, and that neither Palestinian nor Syrian representatives would be welcome.

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[] Camille Shamun has branded Jumblatt's efforts in Paris as a "waste of time," saying categorically that "we are not prepared to respond to any invitation if it is made." More moderate Christian leader Pierre Jumayyil said yesterday that talks for the purpose of discussing relations among Lebanese parties would fail because any solution had to begin with Lebanese-Palestinian issues.

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[] Fighting both in the Mount Lebanon area and in villages near Tripoli in the north has been restricted to artillery shelling. Artillery and rocket fire intensified yesterday in Beirut and its southern suburbs; the crossing point between the capital's eastern and western sectors has been closed off by shelling and sniper fire.

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SWEDEN: New Government

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[] A compromise in Sweden on the nuclear energy issue has cleared the way for formation of a three-party, nonsocialist government, which may be presented to parliament later this week.

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[] The agreement on nuclear energy--the most divisive issue among the prospective coalition partners--reportedly calls for delaying the commissioning of two new nuclear power plants until 1978 and stopping construction on all others. A royal commission will review the subject and report to parliament in 1978. The parties also agreed that a referendum may be held at that time.

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[] There have been hints of a shift in emphasis in Sweden's foreign policy under the new government. A Swedish diplomat has told US officials that the likely new foreign affairs priorities are Scandinavian neighbors first, friends in Europe and North America second, and all other countries--including the USSR and Cuba--last.

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[] The head of the central trade union federation said last week that labor would adopt a wait-and-see attitude toward the new government. He admitted there was little room for real wage increases and implied he was not expecting a confrontation with the government or with employers in wage negotiations this winter. []

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GUATEMALA-BELIZE: Negotiations

 Guatemalan President Laugerud said last week that his government will continue to press its claim to Belize through negotiations but is prepared to use force if talks fail.

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[REDACTED] //This restatement of Guatemala's public position came a week after the conclusion of the latest round of talks with the UK, during which no progress was made on solving the key issue of ceding Belizean territory to Guatemala. The British believe the negotiations are close to breaking down.//

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[REDACTED] Guatemala claims all of the self-governing British colony but is prepared to scale down its demands. Unless the UK can persuade Belize to cede some territory to Guatemala, the issue will remain a source of tension and Guatemala is likely to threaten military action from time to time.

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[REDACTED] The Belize question will be brought up before the UN General Assembly this year, where another strongly worded pro-independence resolution is likely to be approved.

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[REDACTED] The Guatemalans may press for a resumption of talks later this month or early in November, but the British are not anxious for another negotiating session, fearing the talks may collapse altogether. The US embassy in London believes the UK will try instead to encourage more third-country pressure on Guatemala, particularly from Latin American and Caribbean countries and possibly from the US.

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UK: Tory Party Conference

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[REDACTED] //The British Conservative Party is clearly in the doldrums as it convenes today at Brighton for its annual conference. The party has failed over the past year to exploit the Labor government's vulnerability on numerous economic and social issues.//

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[REDACTED] //Party leader Margaret Thatcher will have to show more political skill than she has until now if she is to revive the party's flagging fortunes. Rank and file party members are dissatisfied with her leadership, specifically its lack of dynamism. They are also critical of the failure of party leaders to come up with a clear economic policy.//

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[REDACTED] //The shadow cabinet has borne the lion's share of criticism so far, but Thatcher will soon be the major target if she cannot lead the party more aggressively in attacking the Labor government.//

25X1 [] //The agenda of noncontroversial topics the Tory leadership has selected for discussion at the conference will provide little occasion to consider innovative policies. Tory tacticians, in an effort to attract heavier media interest in the meeting, announced last week that they would release a "strategy paper" just before the conference convenes.//

25X1 [] //Excerpts from the strategy paper indicate that it contains few specific policy ideas. It appears to go little beyond stressing the need for more cuts in public spending, and has been publicly criticized by some party members as inadequate.//

25X1 [] //Although the dissension within the Labor Party ranks at the recently concluded party conference at Blackpool will be of some comfort to the Conservatives, the Tories will have their work cut out for them in trying to convince the public that they offer a workable alternative. []

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SPAIN: Assassination

25X1 [] The assassination yesterday of Basque official Juan Maria de Araluce may impede government efforts to be more forthcoming on Basque grievances. The victim's position as a member of the Council of the Realm--Spain's highest consultative body--may give his death a psychological impact that will make further relaxation of police restrictions difficult.

25X1 [] The killing is unlikely, however, to provoke a nationwide rightist reaction against the government's reform program as a whole.

25X1 [] A government statement issued following an emergency cabinet meeting last night attempted to reassure the rightists by pledging strong action against terrorists. The statement also appealed to reformists, asking for the cooperation of all Spaniards in continuing the government's political reform program.

25X1 [] Araluce had received death threats from a terrorist group, Basque Fatherland and

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Liberty. Although this group recently announced that it would form a political party and use legal methods to pursue Basque independence, the killing of Araluze indicates that part of the group may not have given up terrorist tactics.

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CHINA: Ship Production Up

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China recently launched the largest merchant ship ever constructed in its shipyards. It will be the first domestically produced tanker in China's growing international tanker fleet.

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//China is trying to reduce its reliance on purchases abroad in expanding its international tanker fleet. It plans to construct 10,000- to 50,000-ton tankers while continuing purchases abroad of tankers in the 75,000- to 150,000-ton range. The Chinese have spent over \$90 million--a bargain because of the depressed world tanker market--to acquire tankers presently assigned to the fleet.//

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//The Chinese international tanker fleet amounts to 1.2 million tons, still small by world standards. The fleet owns tankers ranging up to 96,000 tons, all acquired abroad since 1974. These tankers have carried more than 2 million tons since July 1974 in trade with Japan, Algeria, Iraq, Iran, Cambodia, and Vietnam.//

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